



Republican Policy Committee

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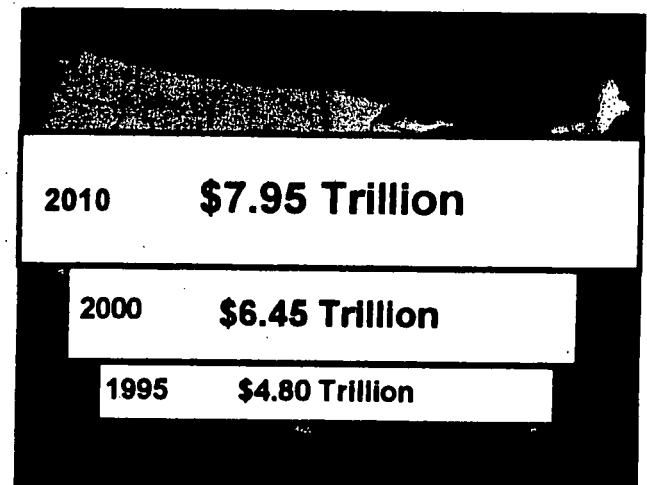
The Moral Imperative of a Balanced Budget

- Over the past 30 years, federal spending has ballooned:

- ▶ It broke \$100 billion in FY 1965.
- ▶ It broke \$1 trillion in FY 1987.
- ▶ It will break \$2 trillion by FY 2001.

- The national debt has grown out of control:

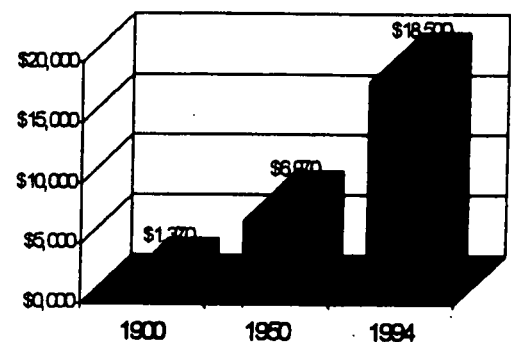
- ▶ \$4.8 trillion right now.
- ▶ \$6.5 trillion in 2000.
- ▶ \$8 trillion in 2010.
- ▶ Today, each American owes nearly \$19,000 of the federal debt.



- Taxes keep going up:

- ▶ Real federal taxes per household now top \$12,000 a year.
- ▶ Total government taxes (federal, state, and local) per household now reach \$18,500.
- ▶ The federal regulatory burden per household exceeds \$6,000 a year.

Real Total Government Taxes Per Household, 1900-1994



- ▶ Federal taxes now take nearly 25 percent of our median household income every year — in 1970, it was only 16 percent.
- ▶ Combined, federal, state, and local taxes consume 50 percent of the median household income — in 1900, that figure was 5 percent.
- ▶ And it gets worse. A child born today would pay 84 percent of his earnings, over his lifetime, in taxes to support the government.

The following Americans will pay a lot just on interest on the debt that builds up over their entire lives:

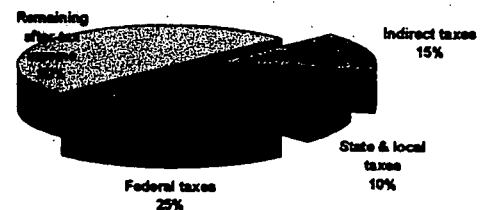
	Year of Birth	Interest payments over a lifetime of 75 years
Robert	1959	\$75,851
Mary	1974	\$115,724
Sally	1995	\$187,150

Our spending today saddles our children with debt tomorrow

(Source: Joint Economic Committee)

The Middle Class Squeeze

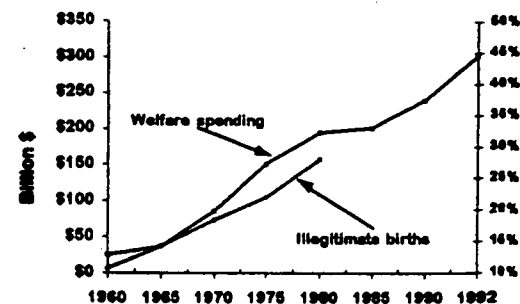
How much of your paycheck goes to taxes:



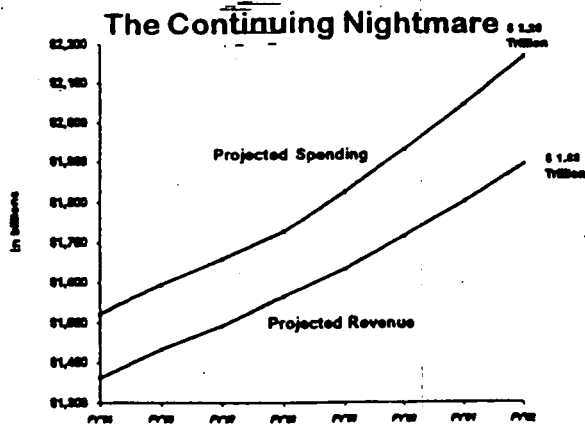
But the federal government does less with more! For example:

- ▶ In real terms, since 1900, welfare spending has grown from \$10 billion to \$1 trillion in 1990.
- ▶ Entitlements were 10 percent of the budget in 1930, 23 percent in 1960, and 53 percent today.
- ▶ We've spent over \$5.3 trillion on welfare since 1965, but by 1990, 28 percent of all U.S. births were illegitimate.
- ▶ Since the budget was last balanced in 1970, the U.S. trade balance has changed from a \$2.6 billion surplus to a \$156 billion deficit.
- ▶ Since the budget was last balanced, the dollar has plummeted:
 - 358 yen to the dollar in 1970; 87 to the dollar today
 - 3.7 marks to the dollar in 1970; 1.37 today
- ▶ As of October 1991, the public sector — federal, State, and local — employed more people than the manufacturing sector.
- ▶ Since the budget began to unbalance in the 1970s, the economy has suffered a "growth gap:" slower-than-average GDP growth that has meant \$10,000 per person in lost wealth.

More illegitimacy



Bill Clinton has failed to confront the problem:



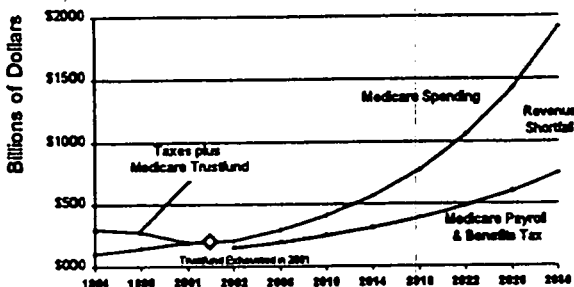
- ▶ In his five-year plan that passed the Congress in 1993, Clinton raised taxes and fees \$259 billion — but only reduced the spending growth rate by \$94 billion.
- ▶ In fact, his five-year plan saw federal spending grow from \$1.5 trillion to \$1.8 trillion.
- ▶ Under the Clinton plan, the debt will grow \$1.495 trillion between 1993-98.
- ▶ The President's budget this year projects the deficit will grow from \$176 billion to \$276 billion by FY 2000.

- ▶ He is not reducing the size of government: in fact, 75 percent of the ballyhooed personnel reductions come from the Defense Department, and the President has actually increased employment in several departments and agencies

So the problem will just get worse:

- ▶ We'll pay more for interest on the debt than for defense in FY 1996, \$270 billion vs. \$257 billion.
- ▶ Spending on entitlements will explode:
Medicare cost just \$35 billion in 1980; tripled to \$109.7 billion in 1990; and will more than double that amount, to \$276.6 billion by 2000
Medicaid cost \$14 billion in 1980; tripled to \$41 billion in 1990; and will triple again to \$136 billion by 2000.
- ▶ By 2020, federal government expenditures will consume 41 percent of the gross domestic product.
- ▶ Deficits will continue to grow, over \$300 billion by the early 2000s, \$600 billion by 2010, and \$1.4 trillion by 2020.

Medicare will be bankrupt in 6 years.



By 2002, the Medicare Trust Fund runs out of money.
If we let that happen:

\$ The Medicare portion of FICA taxes for everyone will have to be raised 125% from their current level.

\$ That's \$725 more on a \$40,000 salary.

\$ Senior Citizens will face a 300% increase in annual premiums.

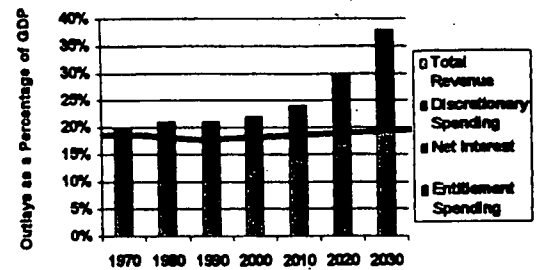
The costs of Medicare will continue to soar until it is transformed.

(Source: Social Security Trustees Report 1994)

The coming crackup:

- ▶ By 1999, the combined Social Security and Medicare trust funds will start spending more than they take in, by \$8 billion a year.
- ▶ By 2003, mandatory spending will eat up 72 percent of the federal budget.
- ▶ For all the taxes paid, the Medicaid trust fund will be bankrupt by 2001.
- ▶ For all the taxes paid, the Social Security trust fund will dip into imbalance starting in 2013.
- ▶ By 2015, spending on just four entitlements (Social Security, Medicare, Medicaid, and federal Retirement) and interest on the debt will consume all tax revenues — leaving no room for federal spending on highways, or law enforcement, or any other discretionary spending.
- ▶ By 2030, the Social Security trust fund will be bankrupt.

In just 17 years, spending on entitlements and interest on the debt will consume all tax revenues.



How does the federal debt hurt the average American?

- ▶ According to the Joint Economic Committee, the federal deficit adds a 2-percent surtax on all interest rates.

Your Federal Deficit Surtax:

One recent estimate is that the federal deficit results in up to a 2% higher interest rate for everyone:

- ↑ 2% higher on your car loan.
- ↑ 2% higher on your mortgage.
- ↑ 2% higher on your credit card.
- ↑ 2% higher on building a new factory.
- ↑ 2% higher on keeping a family farm in business.

(Source: Joint Economic Committee, CATO)

What 2% Means for a 30-Year Mortgage

For a \$75,000 home at 8.75% Annual Interest Rate:

Annual Mortgage Payment	Your Share of the Federal Deficit	What You Pay Every Year
\$5,832	\$1,248	\$7,080

Extra mortgage you pay over 30 years
due to the federal deficit\$37,440

(Source: Joint Economic Committee)

What 2% Means for Your Car Payment

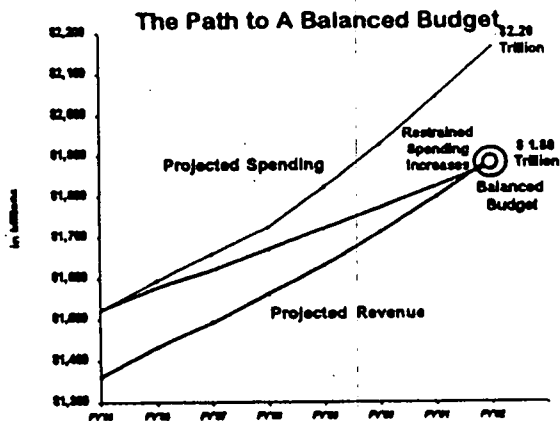
For a \$15,000 car at 9.75% Annual Interest Rate:

Annual Car Payment	Your Share of Federal Deficit	What You Pay Every Year
\$3,624	\$180	\$3,804

Extra interest on the life of your car
loan due to the federal deficit\$900

(Source: Joint Economic Committee)

**Republicans are committed to confronting the problem.
Remember our track record:**



- ▶ Senate Republicans fought in 1993 and 1994 to shrink the size, cost, and scope of the federal budget.
- ▶ Last year, Senate Republicans put forward a plan to bring the federal deficit down to \$99 billion by 1999.
- ▶ Senate Republicans are committed to restraining the growth in federal spending to bring the budget into balance by 2002.
- ▶ Even under a balanced budget, federal spending will still be several hundred billion dollars higher than it is today.

Balancing the budget improves our lives:

- ▶ It would mean 6.1 million more jobs in 10 years.
- ▶ It would mean a per-capita income increase of 16 percent.
- ▶ It would generate \$235 billion in more federal revenues without a tax hike.
- ▶ It would generate \$232 billion in more revenue for state and local governments.

What a balanced budget will mean for most Americans:

"I think their real incomes and purchasing power of their real incomes would significantly improve ... they would look forward to their children doing better than they."

— Fed Chairman Alan Greenspan

The charts in this document were provided by the Republican National Committee, using information from the Congressional Budget Office, the Joint Economic Committee, the Entitlement Commission, and the President's FY96 Budget.

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